

CA1  
MH2  
-1997  
S57



3 1761 11767913 4

# South Korea

NHA 8033

**KEY  
OPPORTUNITIES**

**RISK  
ASSESSMENT**

**DEMOGRAPHIC  
DATA**

**CULTURAL  
ISSUES**

**BUSINESS  
ENVIRONMENT**

## HOUSING EXPORT OPPORTUNITIES SERIES

COUNTRY REPORT





## ***CMHC – Your Housing Experts***

Canadians are among the best housed people in the world, and the majority own their homes. Part of this success is due to Canada Mortgage and Housing Corporation (CMHC), the federal housing agency. Since 1946, CMHC has helped to house generations of Canadians. We've developed the standards and practices required by a growing housing industry and found new ways to help Canadians finance home purchases.

Today, more than one third of all mortgages are insured by CMHC – but there's more to CMHC than mortgage insurance. We're continually finding ways to build better, more efficient and affordable housing, and to make information about it available to you.

In fact, CMHC is Canada's most comprehensive and objective source of information on housing and exporting, whether you're a home owner, a potential buyer, a renovator or a builder, or if you have special housing needs.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

# South Korea

NHA 8033



Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761117679134>

## **HOUSING EXPORT OPPORTUNITIES SERIES**

# **SOUTH KOREA**

One of the ways CMHC contributes to the improvement of housing and living conditions in Canada is by communicating the results of its research. Contact CMHC for a list of available information products on a variety of social, economic, environmental and technical housing-related topics.

Phone 1-800-668-2642 or visit us on the Internet at: [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)

Cette publication est aussi disponible en français sous le titre : *Corée du Sud*, LNH 8033.



This project was funded by Canada Mortgage and Housing Corporation (CMHC). However, the views and recommendations expressed are the personal views and recommendations of the authors and CMHC accepts no responsibility for them. Any reliance on, or action taken on, such information is at the sole risk of the user. This book is not a substitute for professional advice.

© 1997, Canada Mortgage and Housing Corporation

Printed in Canada  
Produced by CMHC

# TABLE OF CONTENTS

---

<b>GEOGRAPHY .....</b>	<b>1</b>
<b>DEMOGRAPHICS .....</b>	<b>2</b>
<b>ECONOMIC OVERVIEW .....</b>	<b>3</b>
<b>POLITICAL OVERVIEW .....</b>	<b>5</b>
<b>TRADE POLICY .....</b>	<b>6</b>
Nationalistic Purchasing Policies .....	6
Cost of Imports .....	6
<b>HOUSING CONDITIONS .....</b>	<b>8</b>
<b>HOUSING SECTOR .....</b>	<b>11</b>
Overview .....	11
Major Participants in the Housing Industry .....	12
Key Housing Market Institutions .....	13
Relevant Regulatory Systems .....	14
Housing as a National or Sub-Regional Priority .....	14
<b>MATERIALS AND FINANCING .....</b>	<b>15</b>
Materials .....	15
Financing .....	15
<b>HOUSING MARKET ACTIVITY, NEED AND DEMAND .....</b>	<b>16</b>
Local Technology .....	16
Local Housing Capabilities and Activities .....	16
Housing Need .....	16
<b>EXPORT OPPORTUNITIES AND STRATEGIES .....</b>	<b>18</b>
Potential Housing Import Demand .....	18
Principal Foreign Competitors .....	18
Opportunities .....	18
Market Entry Strategy Alternatives .....	18

---

<b>BUSINESS ENVIRONMENT .....</b>	<b>22</b>
Overview .....	22
Business Customs .....	22
Business Infrastructure .....	23
Distribution and Sales Channels .....	23
Finding a Partner .....	23
Joint Ventures and Licensing .....	24
Establishing an Office .....	25
Selling Factors and Techniques .....	26
Advertising and Trade Promotion .....	26
Pricing Products .....	27
Sales Service and Customer Support .....	27
Selling to the Government .....	28
Need for Local Legal Assistance .....	28
Regulatory Issues .....	28
EDC Financial Risk Assessment .....	29
<b>CONTACTS .....</b>	<b>31</b>



## ***LIST OF TABLES***

---

<b>Table 1:</b>	South Korea: Housing Statistics .....	8
<b>Table 2:</b>	Total Number of Houses Built During each of the Government's Economic Development Plans, and Proportion of Public and Private Sector Construction .....	9
<b>Table 3:</b>	Total Number of Houses Built in the Last Four Years and Proportion of Single Houses, Row Houses and Apartments .....	9
<b>Table 4:</b>	Indicators of the National Economy .....	10
<b>Table 5:</b>	Major Development Indicators .....	10
<b>Table 6:</b>	Classification of South Korean Construction Companies .....	11
<b>Table 7:</b>	Results of Survey on Competitiveness of Housing Industry, Interviews with Construction Companies, 1991 .....	12
<b>Table 8:</b>	Large-Scale R&D Projects .....	13
<b>Table 9:</b>	Critical Technology R&D Projects .....	13
<b>Table 10:</b>	Current Building Costs (materials only) .....	15
<b>Table 11:</b>	Housing Quality Trend .....	16
<b>Table 12:</b>	Active International Cooperation and Technical Alliances Expected in Forthcoming Years in Technology Areas .....	17
<b>Table 13:</b>	Comparison of Price-to-Income Ratios .....	17
<b>Table 14:</b>	Housing Demand Projections .....	17
<b>Table 15:</b>	Holidays .....	22

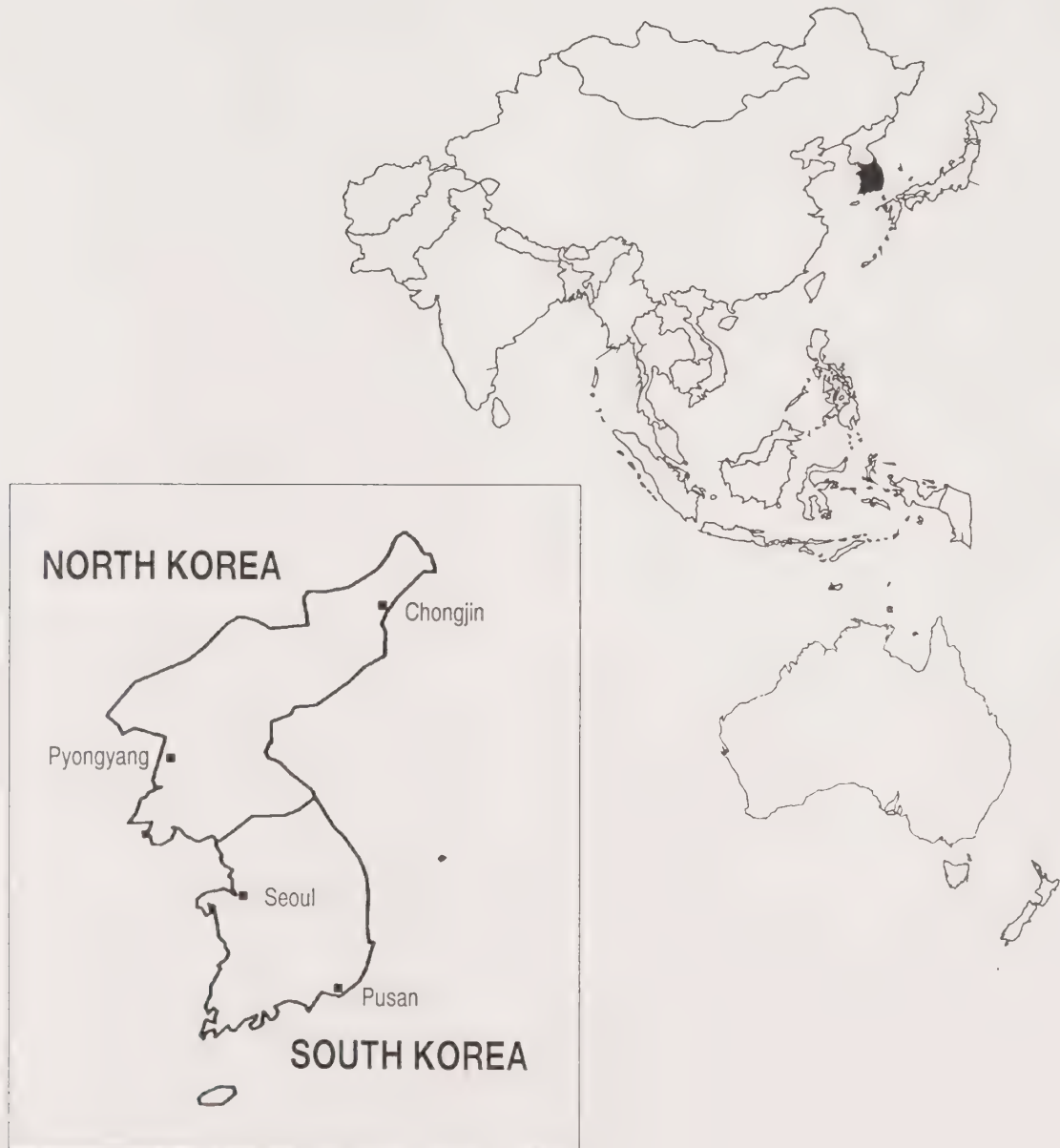




# GEOGRAPHY

South Korea occupies the southern half of the Korean peninsula. Plains stretch along the western and southern coasts, while mountains cover most of the rest of the peninsula. Most of the South

Korean people live on the coastal plains or in river valleys. South Korea's climate is temperate, with rainfall heavier in the summer than in the winter.



## ***DEMOGRAPHICS***

---

South Korea had a total population of 44.6 million in 1994 and is expected to grow at an annual rate of 0.9% over the 1993-2000 period. South Koreans make up almost the entire population. People of Chinese descent are South Korea's largest minority group. Korean is the official language. Economic and political ties with

Western nations have brought South Koreans under the influence of western customs. Seventy-eight percent of the population is urban. In 1990, it was estimated that 5 percent of the urban population and 4 percent of the rural population lived in poverty.



## ECONOMIC OVERVIEW

---

The Korean war was fought from 1950 to 1953. At the end of the war, South Korea was one of the world's poorest countries with a GNP per capita of less than US\$100.

The city of Seoul, South Korea was levelled, and the nation's weak economy was agrarian based. At the end of 1993, South Korea's GNP per capita was US\$7,660 on the strength of a newly industrialized economy.

Economic growth since 1986 has been particularly dramatic for the dynamic South Korean economy. With economic growth averaging over 10 percent a year through to 1990, South Korea has moved from the ranks of the undeveloped nations.

Canada's economic relationship with South Korea has grown accordingly and, in 1993, South Korea was Canada's 5<sup>th</sup> largest global trading partner.

Economic growth continues to be healthy, though it has slowed from the double digit levels of the late 1980s. In recent years, South Korea's economic growth has been accompanied by rising labour costs.

Recent labour disputes have resulted in wage and benefit increases across the country. This has resulted in a decrease in productivity and competitiveness. South Korea's policy makers have responded by focussing on the development of strategic sectors, aiming to create a high-technology based, advanced industrialized economy.

The South Korean economy has been largely export oriented, with many barriers to imports providing protection for domestic manufacturers. Nonetheless, there have always been good business opportunities for Canadian companies who are persistent in their efforts. South Korea's rise to economic prominence has brought with it international responsibilities, including the need for internal market reform to reduce friction with major trading partners. These reforms, though slow to arrive, will be implemented over the rest of this decade.

The South Korean economy is enjoying a period of sustained expansion. Real GDP rose an average

8.4 percent in 1994, and in the first quarter of 1995, the increase was up 95 percent from the previous year levels. Industrial production from January to April 1995 grew at an 18.9-percent seasonally-adjusted annual rate. The expansion is investment-led, as the large conglomerates implement ambitious plans to modernize and expand facilities.

Consumption spending is growing along with optimism about the economy. Despite faster growth, inflation is expected to remain stable in the 5 to 6 percent range. The GNP per capita was US\$7,660 in 1993. South Korea's world competitiveness rank was 24 of 48 in 1995, and its human development rank was 31 of 174.

Growth prospects vary widely across sectors. Agriculture and mining are in sectoral decline, dependent on government subsidies and trade protection for survival. The energy sector is booming, due to government plans to expand electric power production. The manufacturing is mixed—heavy industries, such as chemicals, steel, autos, and electronics, are boosting capacity to meet strong domestic and export demand.

However, light industries have lost competitiveness due to past wage increases. The service sector is growing more rapidly than the economy as a whole, and this differential may widen further if the current administration follows through on its promises to deregulate the distribution, telecommunications, banking and insurance sectors.

South Korea's well-educated, 20-million-strong labour force is the nation's chief developmental asset. Labour productivity in the manufacturing sector has grown at over 10 percent per annum during the 1990s. Unemployment has traditionally been low, and stood at only 2.4 percent in April 1995. The demand for skilled labour is high, and many firms complain about applicant shortages for technical positions.

While South Korea advanced as a manufacturing centre over the last two decades, its domestic infrastructure remained relatively underdeveloped. South Korean industry now regards transportation and distribution bottlenecks as a major

impediment to competitiveness. Ports, railroads, airports and highways are stretched to capacity. The government is undertaking a massive program to upgrade the nation's infrastructure, which could involve about US\$100 billion in investment between 1993 and 1997.

The Korean economy is expected to grow at an average annual rate of 7 percent through the 1990s. Expansion plans for South Korea's infrastructure will create opportunities in the

Telecommunications, Transportation, Energy, and Environmental Technology sectors. Plant modernization and manufacturing expansion will provide markets for machinery, as well as opportunities for technology transfer and joint ventures. Tourism from South Korea to Canada is an area of significant growth potential. The future in the South Korean market is bright for Canadian companies with quality products and services, who will take the necessary steps as outlined in this report.



## ***POLITICAL OVERVIEW***

---

South Korea was a colony of Japan from 1910 until World War II ended in 1945. The separate governments of South and North Korea were formed in 1948. In 1950, North Korean troops invaded South Korea, starting the Korean War, that ended in 1953. In 1991, a series of talks resulted in several agreements, including a pact in which the North and South agreed not to use force against each other. South Korea is a republic governed by a directly elected president and a

unicameral National Assembly that is selected by both direct and proportional elections. In February 1993, Kim Young Sam was inaugurated as the country's first chief executive in over three decades who did not come from the military. In his first year in office, President Kim implemented sweeping political and economic reforms to improve the country's international economic competitiveness.

Imports abound in South Korea. Due to the lack of South Korean made items, most sophisticated equipment must be imported. However, South Korean economic policies are designed to promote its domestic industry and exports while discouraging imports. Export-Oriented Policies include South Korea's economic "miracle" of rapid development from an agrarian to an industrial nation which was achieved through strong central guidance and emphasis on exports as the driving force of the economy. The entire economy is designed to facilitate exports and discourage imports. Despite the growth of the domestic economy, international trade (exports + imports) in 1993 accounted for 53 percent of South Korea's GNP.

Generally, tariffs, import licenses and import procedures all favour the import of raw materials and industrial equipment rather than finished goods. There have been some liberalizations of import procedures but the entrenched bureaucracies and procedures remain. Importing into South Korea is still a difficult and complicated endeavour.

## Nationalistic Purchasing Policies

Large South Korean corporations also support the "anti-import" sentiments or are pressured to do so by the government. Procurement officers of leading corporations have told Canadian Embassy officials in Seoul that they were willing to pay extra for domestic materials as replacements for imports. This undoubtedly varies from firm to firm and industry to industry but is indicative of private sector prejudices against imports which coincide with official policies.

## Cost of Imports

The financial cost borne by the South Korean importer, over and above the cost of the goods, is considerable and puts imports at a disadvantage compared to locally produced goods.

The Ministry of Construction of South Korea and Industry Canada have been working on

strengthening mutual cooperation in the field of building construction methods, systems, standards and technology for many years. In 1991, both countries signed a Memorandum of Understanding on Economic Cooperation. Among the subjects was a joint working group on building construction.

The objectives of the Working Group are:

- to provide a framework for discussions and exchanges of information on building construction methods, systems, standards and technology;
- to facilitate and expand cooperation between private enterprises and governmental authorities of both countries;
- to maintain an overview of activities occurring in both countries in building construction; and
- to identify specific areas for cooperation in all aspects of the building construction industry.

Cooperation under this Working Group may include the following forms:

- exchange of experts, specialists, students and trainees;
- discussion of factors affecting commerce in the building product sector between Canada and South Korea;
- planning, development and implementation of joint projects and programs; and
- exchange of scientific, technical and economic information and materials.

Cooperation under this Working Group may involve the following areas:

- development of building codes and standards;
- certification, testing and labelling of building products;
- energy conservation;
- technologies used in the building industries;



- policies, programs and financing with respect to building construction; and
- development and manufacture of building products.

No such joint working group has been established yet. However, during a visit by Canada Mortgage

and Housing Corporation officials to the Ministry of Construction and Transportation in April 1996, a proposal was presented to the South Korean government.

# HOUSING CONDITIONS

Twelve South Korean cities have populations of more than 400,000 people. The largest city is Seoul, with a population of about 10 million. Pusan, the second largest city in South Korea, has about 3.5 million people. Many highrise apartment buildings and modern houses have been built in Seoul and in other large South Korean cities, but it has been difficult to meet the rapidly rising need for housing, and many people have been forced to live in distant suburbs under poor conditions. Large estates are composed of panel highrise construction.

Most South Koreans, including those in rural areas, live in houses made of brick or concrete blocks, with roofs of cement tiles and slate. Many houses are two or three storeys high, though such houses are less common in rural areas than in the cities. Most houses have *ondol* floors of thick stone slabs covered by oiled papers or mats. In many homes today, pipes carry heated water under the floors to provide heat. In the cities, many *ondols* are heated by electric coils. Almost all rural homes also have electricity.

The World Bank housing indicators for the principal city of the country in 1990 indicated that the average floor area per person was 18.8 m<sup>2</sup> in South Korea, with 1.48 persons per room and 1.9 households per dwelling unit. Ninety-seven percent of the structures were considered to be permanent and 100 percent had water connection. The percentage of owner-occupancy was 40 percent.

The total housing stock represented 7.9 million units in 1992, a year in which 69,000 new

dwellings were completed. In 1992, 8 percent of GDP was invested in residential construction. The total expenditure on housing was US\$17.6 billion in 1993, or US\$400 per capita (5.2 percent of GNP per capita).

Demand for construction services will rise over the medium term due to a government program to encourage infrastructure development. Given the rise in incomes that is occurring, demand for lower-density housing is likely to increase in the coming decade as well. The trend for single-family residential housing is toward natural building materials such as wood. Prefabricated materials are also becoming popular.

The state role in the provision of housing and in land development is important in South Korea. Land use is regulated closely as well. There is an increasing awareness of environmental problems.

South Korea had experienced a severe housing shortage resulting from a chronically-disproportionate housing supply-and-demand until the latter half of the 1980s. Urban areas suffered more from a serious housing shortage than did rural areas due to the rapid industrialization of the nation, the increase in urbanization and the continuing trend toward nuclear families. However, the demand for homes has slowed recently. Houses have been built in larger numbers, causing the housing supply ratio to show an upward trend. The number of unsold houses amounted to 125,000 units by the end of March 1996. Detailed housing statistics are shown in Table 1.

**Table 1:**  
**South Korea: Housing Statistics**

Classification	1980	1985	1990	1994
Total Number of Households (Thousands)	7,470	8,751	10,168	11,436
Total Number of Dwelling Units (Thousands)	5,319	6,271	7,357	9,346
Housing Supply Ratio (Total Number of Dwelling Units divided by Total Number of Households)	71.2	71.7	72.4	81.7
Nationwide (%)	56.6	58.0	61.1	-

**Table 2:**  
**Total Number of Houses Built During each of the Government's Economic Development Plans, and Proportion of Public and Private Sector Construction**

Government's Economic Development Plans	Total number of housing units built	Public Sector %	Private Sector %
1st (1962-1966)	325,935	12.2%	87.8%
2nd (1967-1971)	540,338	12.9%	87.1%
3rd (1972-1976)	760,591	30.1%	69.9%
4th (1977-1981)	1,116,074	44.4%	55.6%
5th (1982-1986)	1,155,071	47.6%	52.4%
6th (1987-1991)	2,386,491	36.8%	63.2%
7th (1992-1995)	2,512,722	35.9%	64.1%

The number of homes built peaked in 1990 recording 750,000 units, and has decreased ever since. The price of real estate, however, has stabilized since 1992 and the demand for homes also slowed.

The average floor area of public sector dwellings tends to be much smaller than that of private sector dwellings. This deliberate policy on the part of the government has led to a huge inventory of small size unsold dwellings. However, there is definitely a market for larger size dwellings (larger than 90 m<sup>2</sup>).

Total number of houses built during each of the Government's Economic Development Plans, and proportion of public sector and private sector construction, are shown in Table 2.

The government's housing policies so far have been focused on an increase in the number of new housing units and an enhancement of land utilization. Accordingly, the government concentrated its efforts on the construction of flats rather than on single homes. The popularity of apartments is partly explained by the superiority of

equipment in the apartments (modern kitchens, flush toilets, etc.) and the availability of such collective facilities as playgrounds, green spaces and shopping facilities.

Total number of houses built in the last four years and proportion of single houses, row houses and apartments is outlined in Table 3.

However, this could change significantly in coming years. For the past two to three years, there has been an increase in the construction of suburban bungalows. This is partly because of the middle class dissatisfaction with apartment life style and their wish to live in less polluted areas.

The owner-occupant ratio in South Korea has continually decreased since the 1960s, mainly due to the short supply, soaring house prices and speculative demand for houses. In 1990, the owner-occupant ratio stood at 49.9 percent, a decrease of 8.7 percent since 1980, while the tenant-occupant ratio increased by 7.6 percent to 46.9 percent. The formal rental market in South Korea is poorly developed. A vast majority of

**Table 3:**  
**Total Number of Houses Built in the Last Four Years and Proportion of Single Houses, Row Houses and Apartments**

Year	Total	Single Houses		Row Houses		Apartments	
		Units	%	Units	%	Units	%
1992	575,492	53,276	9.3%	52,665	9.1%	469,551	81.6%
1993	695,319	52,004	7.5%	103,309	14.8%	540,006	77.7%
1994	622,854	42,380	6.8%	59,152	9.5%	521,322	83.7%
1995	619,057	55,710	9%	66,074	10.7%	497,273	80.3%



tenants live in dwellings which are not conceived as rental dwellings. There is a strong demand for real rental dwellings.

Table 4 shows Indicators of the National Economy while Table 5 shows the Major Development Indicators.

**Table 4:**  
**Indicators of the National Economy**

	1986	1990	1994	1998 (Forecasts)
GNP (US\$ Billion, Current)	105.4	251.8	376.9	648.0
Exports (US\$ Billion)	34.7	65.0	96.0	136.3
Imports (US\$ Billion)	31.5	69.8	102.5	128.1
Housing Investment to GNP (%)	4.7	8.2	7.2	-

Source: South Korea Housing Bank, Housing Economic Statistical Yearbook 1995.

**Table 5:**  
**Major Development Indicators**

Factor	Indicator	1990	2001
Urbanization	Urbanization Ratio (%)	79.6	86.2
Housing	House Supply Ratio (%)	72.1	92.8
	# of Houses (thou.)	7,374	12,088

Source: Economic Planning Board, Ministry of Construction and South Korea Research Institute for Human Settlements.

# HOUSING SECTOR

## Overview

As of the end of May 1993 there were 19,934 South Korean construction companies, classified as indicated in Table 6.

**Table 6:**  
**Classification of South Korean Construction Companies**

Licensed Business Field (Note: a company can hold several licenses)	No. of Companies
General Construction Business	1,654
Civil Engineering	106
Building	546
Civil Engineering and Building	1,002
Special Construction Business	639
Iron/Steel Structure Works	82
Paving	499
Dredging	15
Landscaping	43
Specialist Construction Business	17,641
Carpentry	1,044
Earthworks	2,822
Plastering & Waterproofing	710
Masonry	358
Painting	750
Brickwork	136
Scaffolding	143
Joinery	981
Roofing and Sheet Metal Works	74
Reinforced Bar & Concrete Works	3,893
Metal Works	1,531
Facility Works	2,200
Water Supply & Sewage Systems	1,473
Boring & Grouting	377
Railroad & Railtrack Works	4
Paving, Repairs and Maintenance	647
Underwater Works	100
Landscaping and Planting Works	163
Landscaping Facility Installation	235
<b>Total</b>	<b>19,934</b>

Source: Construction Association of South Korea.

The largest South Korean companies are licensed as general construction firms. The 50 largest firms control the majority of the construction business. Major business lines of these companies include not only construction business but also other major businesses such as general trading, petroleum and chemicals, power generation equipment manufacturing, express bus transportation, and shipbuilding and heavy machinery. As South Korea moved from being one of the world's poorest countries to an industrial powerhouse, the South Korean government policy favoured the development of large conglomerates. This resulted in a weak small and medium-sized business sector. Today, South Korea lacks a vibrant small- and medium-sized business sector enjoyed by Japan, Taiwan and Singapore. The South Korean government sees this as an impediment to the continued healthy growth of the South Korean economy. In an effort to protect and foster the small- and medium-sized contractors in South Korea, the following three major systems are being carried out under the government policy:

- enforcement of the lower limit system on the value of contract for a single project to be undertaken by a contractor, principally designed to extend ample opportunities for small- to medium-size contractors to undertake small-scale projects, not allowing large contractors to bid or contract for such projects;
- restrictions on participation in bid by provincial area; and
- encouragement of joint ventures between contractors.

After the implementation of the "2 million housing construction schedule" in 1988, the number of construction companies significantly increased from 468 in 1988 to 3,000 in 1995 based on general and special licenses. But the housing construction business has been stagnant for the past few years, putting continued strain on small construction companies that build mostly homes. Business has been good for large companies exporting construction and engineering overseas.

Several challenges are facing the South Korean construction industry. They include:

- limited and slow penetration of advanced construction technology into the South Korean industry and a corresponding emphasis on labour intensive construction;
- decreasing productivity due to higher labour costs. Real wages in the construction sector grew 20-22% per annum from 1990-92;
- lagging management practices. On individual projects, problems are not avoided by careful long-range planning as in western practice but by tackling problems as they arise with huge amounts of resources, particularly labour. Western-style project planning and management practices are not followed; and
- liberalization of the domestic market for direct foreign competition.

Table 7 shows the survey results regarding the competitiveness of the South Korean construction industry, mainly based on interviews with the top 50 domestic construction companies, conducted by the Construction Association of South Korea (CAK) in 1991.

Major areas where foreign companies induce improvement to the construction processes include information technology, specialty consulting and specialty supervision and training. South Korean companies are, in general, not competitive in architecture and design areas. Recognizing the need to improve South Korea's construction technology base, the South Korean government estimates that in the 1994-99 period, approximately \$8.2 billion will be invested in construction technology by the public and private sectors and that by the year 2000, 10 percent of South Korea's total R & D expenditure will be in construction technology.

## Major Participants in the Housing Industry

### Government

It was in 1962, when the government's first economic development plan was launched, that the South Korean Government began the regular implementation of housing policies in order to solve domestic housing problems. The government plans to have as many as 2.8 million homes constructed during the "Five-year Economic Plan" (1993-97), that would mean between 550,000 and 600,000 units to be constructed annually.

**Table 7:**  
**Results of Survey on Competitiveness of Housing Industry, Interviews with Construction Companies, 1991**

Type	International Competitiveness	
	Construction	Architecture/ Design
Concrete Highrise Building	C	C
Apartment Construction	B	C
Highrise Building	C	C
Improvement in Construction Machinery and Localization of Parts	C	D
Optimization of Combination of Construction Equipment	C	D
Development and Application of Software	D	D
Optimization of Efficiency in Construction Equipment Operation	C	D
System Analysis of Automation Technology for Construction Equipment	D	D
Automation of Construction Works	D	D

Legend:

A = Competitive in international market

C = Behind major competitors

B = Equivalent to major competitors

D = Far behind major competitors

Source: Construction Association of South Korea.



**Table 8:**  
**Large-Scale R & D Projects**

Project	Investment Budget (in billion Won)					
	1993	1994	1995	1996	1997	Total
Low-cost housing development	7.5	9.6	10.1	12.2	13.4	52.8
Building Standardization	1.0	1.5	2.2	3.0	3.5	11.2
Cost-down of building materials	2.2	2.7	2.7	2.9	3.5	14.0
Intelligent Building	0.9	1.4	1.4	2.3	2.5	8.5
Construction Business Management	1.8	3.1	4.0	4.1	3.9	16.9

**Table 9:**  
**Critical Technology R & D Projects**

Project	Investment Budget (in billion Won)					
	1993	1994	1995	1996	1997	Total
Structure Interpretation and Design	0.1	0.2	0.2	0.2	0.3	1.0
Ground Foundation Measurement	0.4	0.4	0.4	0.8	0.7	2.7
Site (Estate Development)	0.3	0.5	0.9	1.5	1.4	4.6

During the same period, approximately 5 trillion Won (US\$6.1 billion) is planned to be invested for the development of construction technology. Projects relevant to housing construction include:

- large-scale R & D projects (see Table 8); and
- critical technology R & D projects (see Table 9).

To deal with the severe housing shortage that has traditionally faced South Korea, the government has attempted various politically-inspired measures with a view to expand the supply of housing by raising and providing sufficient funds.

### Private

- Construction Association of South Korea;
- International Contractors Association of South Korea;
- South Korea House Builders' Association;
- South Korea Wood Construction Association, created in March, 1996 with 70 local firms interested in wood products and wood housing technologies; and
- South Korea Land Development Corporation: established in 1979 with the aims of increasing

land utilization by acquiring, managing, developing and supplying land, and contributing positively to the development of a sound national economy by accelerating effective use of land resources.

## Key Housing Market Institutions

### Government

The Ministry of Construction includes a National Physical Planning Bureau, a Land Policy Bureau, a Land Valuation Bureau, an Urban Affairs Bureau, a Housing Bureau, a Water Resources Bureau, a Water Supply and Sewer Policy Bureau, a Public Roads Bureau, and a Construction Economics Bureau.

### Regulators

The South Korea Housing Association was established on July 3, 1978 with a view to enhancing sound development of South Korean housing industry and improvement of national housing conditions. During the past eight years, the Association has concentrated its efforts on improving the administrative system and applicable laws and regulations and expanding support activities in various related fields, including tax, financing and provision of housing lots.

### Technical Research Institutes

The South Korea Housing Institute (KHI) founded in 1994 has the mission of providing information and ideas, training human resources, introducing new technologies of house building and housing industry management. KHI is funded by the South Korea Housing Association, the South Korea Housing Builders' Association and the South Korea Housing Financial Co-operative. KHI is a non-profit institution and under the supervision of the Ministry of Construction and Transportation of the Government of South Korea.

Other groups include:

- South Korea Research Institute for Human Settlements;
- National Construction Research Institute;
- South Korea Institute of Construction Technology;
- Technology Institute of South Korea Land Development Corporation; and
- Universities and Colleges.

### Relevant Regulatory Systems

There are several laws relating to the Housing Construction Business:

- Construction Business Law: Under the Construction Business Law and its Enforcement Decree, all individuals who intend to conduct construction business in South Korea are required to obtain due license from the Ministry of Construction. Each

business is classified into one of three categories, "general", "special", and "specialist" construction;

- Building Act;
- Architect Act;
- Urban Planning Act; and
- Human Settlement General Planning Act (Nation's Land Utilization Management Act, Housing Construction Promotion Act, and Construction Financial Cooperative Act).

Public sector contracts are required by law to pass through the "Office of Supply, Republic of South Korea". Contracts are awarded through open competitive tender, limited competitive tender, selected competitive tender or negotiated tender.

For the private sector, negotiated contracts are common practice. However, in some cases, competitive tenders are done. For the performance of construction work, the owner is required to be approved by the competent government authority.

### Housing as a National or Sub-Regional Priority

South Korea is confronted with the difficult task of eliminating a significant housing shortage, renovating an increasing number of old dwellings and meeting ever-increasing demand for better housing. Worried that the growing housing problem may impede further national development, the South Korean government has recently devoted funds and support to ease the situation.

# MATERIALS AND FINANCING

## Materials

According to a local construction firm, current building costs (cost of materials only) are listed in Table 10.

**Table 10:**  
**Current Building Costs (materials only)**

Type	Price per pyung (3.3 m <sup>2</sup> ) (\$1.00 = Won 578)
Brick	2.4 million to 2.6 million Won per pyung (\$1,385 to \$1,500/m <sup>2</sup> )
Timber Frame	2.8 million to 3 million Won per pyung (\$1,470 to \$1,570/m <sup>2</sup> )
Log Homes	3 million to 3.2 million Won per pyung (\$1,570 to \$1,680/m <sup>2</sup> )

## Financing

The South Korean housing finance system is characterized by the following features:

- The housing finance system in South Korea consists of the public sector represented by the National Housing Fund and the private sector by the South Korea Housing Bank.
- As the institutional housing finance does not meet the demand for housing loans

satisfactorily, informal housing finance institutions are also prevalent.

- The interest rates on housing loans tend to be lower than those on commercial loans, reflecting the notion that housing finance in South Korea is part of the social welfare network. In addition, the interest rates on housing loans are also lower than those on bond issues in the capital market, and this negative interest formed the main reason that has hampered the establishment of the secondary mortgage market in South Korea.

### South Korea Housing Bank

Established by the South Korean government in 1967, the South Korea Housing Bank was designed to help stabilize housing for the South Korean people through the raising of housing funds and providing for their efficient allocation.

### National Housing Fund

The National Housing Fund (NHF) has been managed since its creation in 1981 by the South Korea Housing Bank under the direction of the Ministry of Construction and Transportation. The Housing Finance Credit Guarantee Fund is a loan insurance system created by the government to enhance the credit of borrowers.



# HOUSING MARKET ACTIVITY, NEED AND DEMAND

## Local Technology

Because of the government's concentration of efforts upon the construction of flats rather than on single homes, ferro-concrete dwellings have dominated the market, accounting for as much as 45.7 percent of total dwellings since 1969. Until 1969, slightly less than half of South Korean dwellings were wood-framed. However, the popularity of wood-framed dwellings dropped sharply after 1969 to 4.6 percent. Recently, there seems to be a reversal of the trend, especially for expensive wood-framed dwellings. Housing quality trends at five-year intervals are shown in Table 11 below.

**Table 11:**  
**Housing Quality Trends**

	Unit	1975	1980	1985	1990
Average House Size	m <sup>2</sup>	57.9	68.4	72.6	81.5
Residential Area Per Person	m <sup>2</sup>	7.9	9.7	10.5	14.0
Shower Facility Supply	%	N/A	1.0	20.0	35.0
Flush Toilet Supply	%	N/A	18.4	33.6	52.0
Western Style Kitchen Supply	%	N/A	18.2	35.1	53.0

The nation's sustained economic growth since the 1970s has been accompanied by improving housing physical conditions. However, in spite of the superficially remarkable improvement in housing quality, the gap between housing conditions in rural areas and those in urban areas remains unbridged. This seems to have resulted from the concentrated construction of relatively high-quality condominium units in urban areas.

## Local Housing Capabilities and Activities

Housing site development projects, as well as construction of estates, are regularly carried out by the South Korea Land Development Corporation. Giant-sized projects (i.e., construction of new towns) aimed at solving the acute housing shortage in the Metropolitan areas were also carried out.

In parallel with the construction of new towns, major urban redevelopment projects are being carried out in existing towns to resolve problems such as environmental contamination caused by the influx of large populations into towns and the urban concentration of diverse functions such as politics, economic activity and culture.

Although weak in technology and financing, South Korea has competitive strength through a global physical presence and competitive prices on low technology projects.

## Housing Need

To further develop its construction activity, South Korea is in need of advanced and sophisticated foreign technologies. Active international cooperation and technical alliances are expected to be made in the forthcoming years mainly in the technology areas listed in Table 12.

The trend in housing investment over the past ten years shows that the ratio of housing investment to GNP drastically rose from about 4 to 5 percent until 1989 to as much as 7.5 to 8.5 percent after 1990. According to the government's Third National Land Development Plan, the total number of new housing units in demand over the planning period (1992-2001) will amount to 5.9 million units. The ratio of housing investment to GNP ought to be maintained at a level of at least 6.5 to 7 percent annually throughout this period in order to meet the anticipated demand.

**Table 12:**  
**Active International Cooperation and Technical Alliances Expected in Forthcoming Years in Technology Areas**

Specialized Area	Technology Area	Major Technology Needs
Structure	Structure architecture & construction	Analysis/architecture/construction of highrise buildings
	Building materials	Concrete and asphalt manufacturing technology
Construction	Construction management	Simulation package, analysis of construction disaster
	Maintenance	Measurement of transformation, maintenance technology by structure, deconstruction technology
Earthwork and Foundation Work	Survey, test & total vertical structure	Structural measurement technique, software for the experimentation and processing of survey result
	Underground structure	New excavation techniques, special underground structural architecture, special structure foundation architecture, foundation estimate, live load estimate, vibration design and effect rating
Architecture	Construction safety	Reliance rating technique for safety General city accident prevention systems
	Architectural production technology	Standardization of housing materials/parts
	Architectural environment	Noise prevention Urban environment preservation
Equipment & Facilities	Energy saving	Persistence improvement technology Energy saving technology Energy reserve technology

Source: Ministry of Construction.

**Table 13:**  
**Comparison of Price-to-Income Ratios**

	South Korea					Japan	U.S.		U.K.	France
	1990	1991	1992	1993	1994	Tokyo	New York	L.A.	London	Paris
PIR	9.0	8.2	7.5	6.9	6.4	9.4	6.1	4.4	3.7	4.7

Source: Ministry of Construction and Transportation.

The price-to-income ratio showed a remarkable decrease during the past few years as illustrated in Table 13, owing to more stabilized housing prices. As of the end of 1994, the PIR stood at 6.4, which is still high compared to levels in developed countries.

The liberalization of the sales price ceiling for medium- and large-sized apartments is expected to bolster construction orders for luxury apartments.

According to the 21<sup>st</sup> Century Research Group, South Korea's housing demand projection is as illustrated in Table 14.

An increasing number of households are demanding log houses, garden type wood-framed

suburban bungalows, two-by-four Canadian dwellings and other types of wood-framed houses including sectional houses.

**Table 14:**  
**Housing Demand Projections**

Year	1990	2001	2010	2020
Population	43 M	47 M	49 M	50 M
Households	11 M	15 M	17 M	18 M
Person/Household (person)	3.9	3.1	2.9	2.8
Housing	7 M	12 M	15 M	18 M
House Supply rate %	72.4	92.8	110	120

# **EXPORT OPPORTUNITIES AND STRATEGIES**

---

## **Potential Housing Import Demand**

The South Korean economy has been largely export oriented, with many barriers to imports providing protection for domestic manufacturers. Nonetheless, there have been good business opportunities for Canadian companies who are persistent in their efforts. South Korea's rise to economic prominence has brought with it international responsibilities, including the need for internal market reform to reduce friction with major trading partners. These reforms will be implemented over the rest of this decade.

In recent years several South Korean delegations have visited Canada for the purchase of construction materials. Canadian construction materials could have economic feasibility for the South Korean builder.

## **Principal Foreign Competitors**

South Korean construction companies have maintained a close cooperative relationship with Japanese companies due to geographical proximity and convenience in communications. In recent years, however, South Korean firms are increasingly active in diversification of foreign sources of business cooperation and technology inducement, in particular with American and European sources. There are several countries (Finland, Denmark and U.S.—PGL, Korus Homes) promoting timber frame houses in South Korea. The U.S. Wood Council, together with the American Embassy in Seoul, are very active.

While most building and construction materials are locally available, South Korea imports a wide variety of building materials, including wood and wood products, cement, processed steel products and electric apparatus. Large amounts of cement and reinforced bars were imported into South Korea at the beginning of the 1990s due to the rapid increase in local construction, beyond the amount that domestic production could supply. This market, however, was not expected to last. South Korea imported over \$2.6 billion worth of timber products in 1995 as compared to \$2.4 billion in 1994. In 1995, South Korea

imported \$56.8 million worth of Canadian forest products and \$1.4 million worth of prefabricated houses. South Korea's total imports of prefabricated houses in 1995 amounted to \$38.7 million. The U.S. holds a 70 percent market share of wood homes in South Korea. Canada controls 20 percent.

## **Opportunities**

South Korea is presently a significant importer of Canadian building materials (\$4 million in 1994). Softwood lumber, particle board and medium-density fibreboard are the primary Canadian exports to the country. South Korea was the world's 9<sup>th</sup> largest importer of building materials in 1993 (US\$2.7 billion) and ranks 5<sup>th</sup> among the MSU rating of the 23 most promising import markets. South Korea continues to experience strong economic growth, with an average growth rate over the past 3 years of over 7 percent.

## **Market Entry Strategy Alternatives**

The optimum method for involvement of a Canadian company in the Korean market will differ for each company. The decision will depend to a large extent on the Canadian company's product and service, its size and financial capabilities, and its short- and long-term objectives. In general, some form of presence in Korea is required, at the minimum, an agent. Small companies will need an agent, though in some specialized cases, it may be possible to sell directly from Canada to the customer. Larger companies, although beginning with an agent, should be open to increasing their presence through a representative office or a joint venture.

## **Arms Length Trading**

Arms length trading, the sale of goods manufactured abroad directly from the head office to Korean customers, is the easiest but least successful form of participation in the Korean market. It may be a recommended approach for some small specialized Canadian firms. If efforts are persistent and your potential customers, including contact name and title, are known, it can be an effective marketing choice. Usually sales



will be to a large company that needs the particular technology, product or service that is unique to the supplier. The Canadian Embassy can occasionally assist in locating such specialized buyers.

The advantage of an arms length trading relationship is that no additional investments or changes in organizational structure is necessary.

The disadvantages are:

- firms which choose to sell their products directly from Canada have little control over their own success in this market;
- such firms will have little impact on the reputation of their products, how successful they are, what their market share is, or why their products do or do not sell;
- the arms length supplier will never know what other opportunities exist in Korea which are being missed, and cannot adapt their products to meet the changing needs of customers; and
- product service and support becomes impractical.

The supplier who does choose this strategy should proceed as follows:

- prepare a form letter and send it with one or two drawings and photographs of the product to selected potential customers. This letter should explain (in simple English with maximum use of bullets and lists) the product that the supplier is offering. The letter should invite interested companies to contact the supplier. Contact information including fax or telex numbers must be included;
- companies responding to the letter should be sent a full and complete presentation package on the products, including, specifications, catalogues, prices, shipping and payment terms;
- the supplier should be persistent in communications. Two or three attempts at contact are often necessary to generate a response. The supplier should be careful to maintain the dialogue with customers even if they fail to respond to one or two messages; and
- a representative of the firm should visit Korea as often as possible for a few days at a time. A well planned schedule of visits to the

companies who are doing business with the firm or have expressed interest in the firm's products or services would be very productive.

### Agency or Distributorship

Sales through an agent or distributor is much more likely to be effective. The advantages of using an agent are:

- the supplier can increase its business with very little modification to its home office operations or organizational structure through an agent;
- the seller benefits from local representation;
- South Korean customers are happy to have someone within the country familiar with the products who can be easily contacted for information, support and after-sales service; and
- some agents are good at identifying new opportunities in the market which can expand sales.

The disadvantages of using an agent are:

- the supplier still has little control over the sale of its products;
- the supplier's reputation in the market is determined more by its agent than by its products or efforts;
- the supplier's knowledge of what is happening in South Korea, the reasons for the success or failure of its products, and the supplier's entire perception of the status of the market in South Korea are all filtered through its agent; and
- the agent has its own agenda and objectives that coincide with those of the supplier to a greater or lesser degree.

Locating a good agent can be difficult. The expectations of a South Korean agent frequently differ from those of its Western supplier.

Contracting with an agent should be undertaken with extreme caution, and no supplier should select an agent without personal contact. At the very least, a reliable third party should meet and assess the character, qualifications, and reliability of a potential agent. Although changing agents can damage a supplier's reputation, the contract should include a favourable escape clause (to the supplier).

Sources of potential agents are the Canadian Embassy, the Association of Foreign Trading Agents in South Korea and contacts within South Korea. Companies that locate a good agent who is aggressive and dedicated to serving the market for the client's products have been very successful at selling in South Korea. Some clues for identifying good agents and avoiding bad ones are discussed below.

**Exclusive Agencies**—Be cautious about signing long-term exclusive agency agreements prior to careful study of the local situation. Changing agents is difficult and not well received by buyers.

**Multiple Agencies**—Multiple non-exclusive agencies are seldom successful in South Korea. None of the agents will exert any promotional energies in the belief that the other agents will benefit. If the range of your product line, or the diversity of your potential customer base, dictate against a single exclusive agent, we suggest that you form multiple exclusive agency agreements. This can be done by carefully segmenting your product line, or your customer base, and signing exclusive agency agreements for each segment. South Korean agents generally perform much better when working under the comfort of an exclusive agency.

**Non-Resident Agents**—Many Canadian companies sign agency agreements covering South Korea with companies based outside of South Korea. While there are sometimes compelling reasons for this, Embassy experience is that these arrangements are generally not productive. Expatriate South Koreans in particular often have, or claim to have, excellent contacts in South Korea. Though these claims may be valid, a physical presence in South Korea is generally necessary to generate sales, and should be the primary reason for selecting a South Korean agent in the first place.

**Conflict of Interest**—Many agents represent competing companies, which leads to obvious conflicts of interest concerns. The Embassy can find out what other companies a potential agent represents.

**Synergistic Products**—An agent should already represent complementary products. Unless the supplier's product line is sufficient to support an

agency (in which case a sales subsidiary should be considered), the agent must have a healthy line of items to support his office. A small turnover will increase the agent's markup and reduce the competitiveness of the supplier's products. Similarly, if the products are too diverse, the agent will divide his efforts among too many different industries and fail to serve any of them effectively.

**“Project” Agents**—Agents often sign agency contracts on the strength of a single project or a single potential contact. Listen carefully to the agent or read correspondence closely. Look for hints such as constant reference to a particular project or specific customer or contact.

**Supervision**—Companies opting for a local agent should devise a system of supervision and review of the activities of the agent. Very frequent and extended trips to Korea by a technical salesperson from the home office should be planned. If this is not possible, a reliable individual in South Korea who could observe the activities of the agent, perform follow-up functions, respond to ad hoc requests from the supplier for information and provide regular status reports should be designated. The Embassy can provide possible names of individuals who could perform this function. Such people can also greatly increase the performance of the local agent.

**Representative Office**—A permanent sales office can be a representative office, a branch office or a sales subsidiary. Should the supplier select to establish a permanent office in South Korea, the best form of a representative office is an incorporated sales subsidiary.

A permanent representative office is equivalent to a supplier establishing its own agency or distribution centre. The supplier can have complete control over its marketing efforts in South Korea including the reputation that is being established for its products. It guarantees that the supplier is kept informed of the situation in South Korea and that his interests are being well served. However, it is generally not recommended due to cost and taxation issues as discussed below.

The advantages of a permanent representative office are:

- marketing activities can be more effectively controlled;



- new opportunities can be identified; and
- effective coordination with government officials, industry associations can ensue.

The disadvantages are:

- a representative office involves considerable expense. Sending a technical salesperson from Canada is expensive. The cost of maintaining an expatriate in South Korea is a minimum of \$100,000 per year including salary, apartment, transportation, and home leave. Most Western conglomerates estimate that the cost of maintaining a mid-level expatriate manager in Korea is around US\$250,000 per year. (This includes direct office expenses.) Hiring a local manager for the office results in all of the problems associated with reliance on an agent: dissimilarity of goals and unfamiliarity with the product;
- tax risk increases considerably. The South Korean system of tax collection is largely confiscatory. In recent years, there have been cases where the office of National Tax Administration (ONTA) has “deemed” that representative offices were sales outlets of foreign entities and liable for taxes on all South Korean sourced income or even, in some cases, on worldwide income; and
- South Korean government approval is necessary. Available free on request, the Embassy publication “Legal Guide to Business in Korea” discusses, in more detail, the legal implications of opening a South Korean representative office.

**Licensed Manufacturing**—Technical licenses are a good way for foreign firms to participate in the local market with limited investment of resources and limited risk. Under a licensed manufacturing arrangement, the foreign technology supplier can benefit from growing markets without expensive equity commitments. The license is in effect spreading R & D costs over larger production volumes.

Licensors are compensated for their technology and contributions in four basic ways:

- disclosure fees for transfer of technology;
- royalties on turnover of the local portion of supply;
- engineering fees for work in support of local projects; and
- income from the sale of parts for inclusion in locally-made systems.

South Korea has developed a tremendous reliance on foreign technology (particularly Japanese technology) in its rapid path towards modernization. To prevent South Korean companies from entering into disadvantageous licensing arrangements and to limit the outflow of foreign exchange, the South Korean government has set some unofficial limits on royalties and disclosure fees. Invariably, they tell the licensee to lower payments to the licensor. The government limits vary from case to case but are approximately as follows:

- royalty limits of 5 percent of the net sales value of the local content of licensed products;
- disclosure fees of US\$100,000 maximum; and
- license term of 5 years or less.

There are many cases where these limits are being exceeded but they require considerable negotiations with government and commensurately longer approval times.

The South Korean government also encourages gradual “localization” of components and reduction of the percentage of the licensed product which is imported from abroad. South Korean companies naturally want to limit the price they pay for the technology they buy. They frequently exaggerate these policies and imply government influence to pressure foreign licensors to reduce royalty rates and disclosure fees. Companies facing such a situation should contact the Canadian Embassy, which can be an excellent resource for dealing with intransigent government bureaucrats, or finding out the real situation.



# BUSINESS ENVIRONMENT

## Overview

Although South Korea has not yet made its mark as a tourist destination, Seoul has long been a well established business centre. As an Asian business centre, Seoul has the selection of deluxe hotels one would expect. These hotels cater to the needs of busy professionals with business centres offering secretarial services, translation and interpretation, courier service, printing and photocopying, telecommunications and equipment rental.

It is relatively easy to get to South Korea. Flying time ranges from 10 to 14 hours from Canada, depending on point of departure and season. Kimpo International Airport, located 10 miles southwest of downtown Seoul, is the primary gateway to South Korea. For information on Kimpo operations, English speakers can telephone in Seoul, 660-2471/2 (foreign airline terminal) or 660-2481/2 (South Korean-owned airlines' international terminal). South Korean speakers can telephone in Seoul, 660-2200 or 660-2114.

## Business Customs

It is imperative that any Canadian doing business in South Korea realize that Seoul is not a North American city. Every year South Korea becomes more and more modern, but it is important to recognize that modern does not equal Western. South Koreans will not expect you to be an expert on the nuances of their culture, but they will appreciate a show of interest in matters that are important to them.

For South Koreans, relationships are all important; "cold calls" do not work—introductions are crucial. South Koreans want to do business with people with whom they have formed a personal connection.

The exchange of business cards is very important and a means by which South Koreans learn about the name, position and status of the other person. Always have your (preferably bilingual) business card available and treat the exchange and your counterpart's card with some respect. (It is

customary to receive and present items with both hands.)

Negotiating style is particularly important. South Koreans can prove subtle and effective negotiators, and a commitment to a rigid negotiating tact early on may work to the Canadian's disadvantage. Your offer may include the best price, technology and profit potential but still get turned down because the South Korean customer does not like your style.

An important point must be kept in mind concerning the nature of reaching agreement with a South Korean firm. Westerners attach great importance to a written contract which specifies each detail of the business relationship. South Koreans, on the other hand, value a contract as a loosely structured consensus statement that broadly defines what has been negotiated, but leaves sufficient room to permit flexibility and adjustment. The South Korean Government has attempted to address this dual perception by formulating "model" contracts for licensing technology and other arrangements. Both parties must be assured the obligations spelled out in a negotiated contract are fully understood.

Most South Koreans have three names. These names usually follow the Chinese pattern of a surname followed by two given names. In

**Table 15:  
Holidays**

January 1 & 2	New Year Holidays
February 18, 19 & 20	Lunar New Year Days
March 1	Independence Movement Day
April 5	Arbor Day
May 5	Children's Day
May 24	Buddha's Birthday
June 6	Memorial Day
July 17	Constitution Day
August 15	Independence Day
September 26, 27 & 28	South Korean Thanksgiving Days
October 3	National Foundation Day
December 25	Christmas Day

addressing South Koreans, foreigners should stick to the use of surnames (Mr. Kim; Ms. Lee), using formal titles if possible (Dr. Yoo; Director Song).

## Business Infrastructure

When visiting South Korea on business it is best to reserve your room well in advance. This is doubly true for the last weeks in April and much of October. Further, it is a good idea to confirm your hotel reservation and any special requests by fax. Call the South Korea National Tourism Corporation at 011-82-2-757-0086 and ask for an English assistant for help in finding a hotel outside of Seoul. A comprehensive listing of Seoul hotels, inns and hostels is available by faxing the Seoul Tourist Association at 011-82-2-757-9756. Tipping is not customary, but a 10 percent service fee is charged at most hotels, as is a 10-percent Value Added Tax. Many of the hotels offer attractive corporate discounts, but they are usually not available if you book through a travel agent.

The public transportation system is very well organized. With timely subways and city buses that service the whole city, the only real problem is the traffic. The seemingly endless rush-hour traffic can be a major hindrance, so early preparation, as well as lots of patience, is required.

Thanks to the new non-stop limousine bus service commissioned by the government and operated by South Korean Air, travel to the major hotels is quite easy. The fare is Won 3,500 (\$4.50), one-way and Won 2,000 for ages between 6-12. As an added convenience the buses are equipped with pay phones and tourist information.

Seoul boasts a world-class trade resource known as the South Korea World Trade Center (KWTC). Included at this site are the Trade Tower, the South Korea Exhibition Center (KOEX), the City Air Terminal, a convention centre and the Seoul Intercontinental Hotel.

Most private offices are open from 8:30 a.m. to 6:00 p.m. weekdays and from 9:00 a.m. to 1:00 p.m. on Saturdays. South Korean Government offices keep similar hours, except for a 5:00 p.m. closing from November through February. Banking hours are from 9:30 a.m. to 4:30 p.m. weekdays and 9:30 a.m. to 1:30 p.m. Saturdays.

## Distribution and Sales Channels

Local representation is essential for foreign firms hoping to be successful in the South Korean market. This is especially true in a market in which business relationships are built upon personal ones, and in which much of the major third-country competition is only a few hours' flight away.

Distribution methods and the number and functions of intermediaries vary widely by product area and local conditions. The market for most consumer products is concentrated in the major cities. Retail distribution is accomplished through a highly complex network of outlets, the majority of which are small family-run stores, stalls in markets or street vendors. There are many large department stores in Seoul and Pusan, which represent one of the best means to get foreign products before consumers. Lately, retailing concepts such as the general merchandising and CVS chain store, shopping centres and high-volume discount stores ("hypermarkets") have been attracting interest.

Modernization of the distribution system is coming as a result of the South Korean government deregulation and incentives for this sector, as well as the appreciation by the major conglomerates of the great promise which this long-neglected sector holds. The current interest in this sector offers not only the promise of a more efficient distribution system offering greater accessibility to imports but also business opportunities in the near term to Canadian firms servicing the distribution industry with logistics and automation technology.

## Finding a Partner

The most common means of representation include: appointing a registered commission (or "offer agent") on an exclusive or non-exclusive basis, naming a registered trading firm as agent, and establishing a branch sales office managed by home office personnel.

Only traders registered by the government are authorized to import goods in their own names. Appointing a registered trader (rather than an "offer agent") as agent has the advantage that such agents can handle all the paperwork of importing and import for their own account. As the



registered traders tend to be larger firms and to split their business between exports and imports, however, they may be less attentive to building the Canadian supplier's business. Similarly, while the general trading companies may be influential and well known in the market, they also may not devote as much attention to a single principal as do smaller firms.

A good resource for locating agents is the Association of Foreign Trading Agents of South Korea (AFTAK), a 24-year old private trade association established under government auspices as the only entity dedicated to increasing imports into South Korea. Under South Korean law only companies who have registered with AFTAK are allowed to present sell offers in South Korea on behalf of foreign suppliers. As of June 1994, 8,600 South Korean agents and distributors, together representing some 11,000 North American firms, were members of AFTAK. On average AFTAK members account for about 82 percent of all of South Korea's imports. To fulfil its mission of promoting balanced trade, AFTAK helps execute South Korea's import diversification (away from Japanese sources) plan, and leads annual purchasing missions to North America, Latin America and Europe.

Canadian businesses can contact AFTAK by sending their catalogue with a letter specifying the items for which they are seeking an agent, or visit the AFTAK office directly. Catalogues are displayed in the AFTAK library and enquiries are published free of charge in the association's monthly "AFTAK TRADE NEWS."

Contact: AFTAK, Address: Dongjin Bldg., 218, Hangang-ro 2-Ka, Yongsan-Ku, Seoul 140-012, South Korea Tel.: 82-2/792-1581 ext. 231, Fax: 82-2/785-4373.

### Joint Ventures and Licensing

Approval of foreign investment is controlled by the Ministry of Finance governed through the Foreign Capital Inducement Act (FCIA). Depending on the nature of the investment, other South Korean Ministries might also be involved in the approval process.

Selecting the appropriate partner is one of the most difficult and crucial aspects of initiating a

joint venture in South Korea. Although the chaebols still exercise considerable influence, the South Korean government policy shift toward support of small- and medium-sized businesses means that the participation of a chaebol in a joint venture could create additional obstacles in terms of obtaining necessary approvals and local financing. Also, the chaebols tend to be insistent on operating a joint venture in accordance with the overall policies and business culture of the group, sometimes to the detriment of the foreign shareholder's interest.

Compatibility of goals between the partners is a crucial element to the joint venture's success. Conflicts often arise because of the conflict between the foreign investor's goal of sending profit dividends offshore and the South Korean investor's goal of growth of the company in South Korea. South Korean attitudes are rooted in social and cultural factors, such as an aversion to excessive profits and a continuing family orientation on the part of many companies. Seeking an agreement in advance on the joint venture company's dividend policy is a way to help alleviate this problem.

To South Koreans, a contract represents the current understanding of a "deal." The contract is viewed as a written expression of that understanding at the time of its execution. If there are omissions or points that do not accurately express the understanding of the original deal under changing circumstances, then problems will arise. The same is true if the contracting parties change. This has led many foreigners to believe that South Koreans do not place the same importance on a written contract as we do.

Contract negotiations with South Koreans should be viewed as a process of extensive dialogue with the objectives of:

- reaching a common understanding on the responsibilities of each party;
- putting that detailed understanding on paper; and
- being prepared to modify the meanings of the terms afterwards as conditions change.

Management control must be evaluated on three levels:

- shareholder equity;



- representation on the board of directors; and
- active management (Representative Director and subordinate management).

Since board meetings in South Korea can only be legally held by a physical meeting of a quorum of the directors, if a foreign investor intends to exercise day-to-day management by appointing a Representative Director, that individual must be expected to reside in South Korea. Also, in order to carry out the intentions of the foreign investor, the Representative Director will need the support of key functional areas of the company which are crucial to those intentions. Therefore, the detail of the internal organization of a joint venture company should be settled and key management appointments agreed upon in the early stages.

Certain terms of the commercial relationship between the joint venture and the partners, such as technology transfer, raw material supply, marketing and distribution, should be agreed upon in detail concurrently with the negotiation of the joint venture agreement.

Under the Foreign Capital Inducement Act, the foreign investor need only report a license agreement to the concerned ministry. However, the South Korean Government (particularly the Fair Trade Office) may require changes in the terms of the agreement and may show interest with basic commercial terms, such as the amount of royalties. Often these changes are requested retroactively when a financial commitment has already been made.

## Establishing an Office

The South Korean Government has recently expanded the scope of land that foreign investors can purchase, as well as streamlined the land acquisition procedures. Land acquisition by foreigners is governed by the Enforcement Decree of the Alien Land Acquisition and Management Law. Administrative guidance is then given on the renting and use of the purchased land.

Under this law, foreign investment companies (more than 50 percent foreign ownership is considered foreign) are also required to obtain approval from the heads of local governments in order to buy land. Land acquisition by foreign investment companies operating manufacturing

businesses are now only subject to notification instead of approval. Foreign investment firms can now purchase a maximum of 660 m<sup>2</sup> of land for housing management and staff.

The rental rates for office space in Seoul, by comparison, are not as high as East Asian capitals such as Tokyo or Hong Kong, but are generally higher than Toronto. A recent spot survey indicated a range of rents in popular Seoul commercial buildings from \$44-\$106 per pyong (equal to 3.3 m<sup>2</sup>). These rates are inclusive of maintenance fees and based upon gross floor area, which includes common areas.

Another major cost item is the substantial deposit payment (or “key money”), a one-time charge which is refundable without interest upon termination of a lease, required by almost all landlords. Deposits for the rentals quoted above range from \$313-\$863 per pyong. Office parking is another scarce commodity in Seoul, with monthly charges in the \$31-\$338 range.

Foreign companies in Seoul tend to cluster in perhaps four well-known districts: City Hall—the old downtown where a few South Korean ministries can be found; Yoido—the “Manhattan Island” in the Han River where the financial firms and the National Assembly are located; Kangnam—the expansive, bustling, new city centre south of the river which also includes the World Trade Center complex; and the Mapo district—halfway between Yoido and City Hall. While taxis and rush hour traffic are an ongoing source of frustration and delay, Seoul has an excellent public transportation grid so that newly arriving firms can freely consider various location options.

The complete dedication to the company by South Korean workers is slowly disappearing. Company loyalty still exists but these attributes and high productivity do not result automatically. The employer, if foreign, must first earn the respect of its South Korean employees. Foreign managers have had success using recognition and increased pay for increased productivity, but the more basic requirements of earning loyalty, respect and friendship gained by the foreigner’s own personal efforts will pay greater dividends.

Often, South Koreans view the long-term prospects of advancement in a smaller foreign

company less appealing than those in a larger permanent South Korean company. Attractive factors to local workers can include higher salary, higher position earlier in one's career, opportunities for travel, the chance to learn and use English, and the opportunity for transfer to the home office or other foreign branch office. South Korea also has a large pool of conscientious, highly-educated female workers who usually cannot find equivalent employment in South Korean companies due to traditional cultural attitudes towards women in the work force. Where little opportunities for professional advancement in South Korean traditional companies exist, South Korean women, in general, would welcome a career opportunity should a foreign firm make a good offer.

### Selling Factors and Techniques

Three practices are essential to success in the South Korean market: adapting products and procedures to South Korean tastes and conditions, staying in close communication with South Korean business partners and customers, and consistently exhibiting a firm commitment to the South Korean market.

In selling to manufacturers, personal contact is important not only because of the value placed on direct discussion and on building long-term relationships but also because such contact brings the end-user in touch with new processes and equipment.

In light of the competition offered by Japanese suppliers, who often visit potential and existing customers throughout South Korea, Canadian suppliers should consider:

- making visits to South Korea to augment the efforts of the local representative;
- bringing representatives back to the home office periodically to ensure they are fully informed, motivated and up-to-date on the supplier and its offerings;
- holding more demonstrations, seminars and exhibitions of their products in South Korea;
- increasing the distribution of technical data and descriptive brochures; and
- improving the follow-up on initial sales leads.

### Advertising and Trade Promotion

The South Korean government began a phased liberalization of its domestic advertising industry in 1987. By 1991, the market was completely opened to 100 percent foreign equity participation. As a result, a large number of joint venture agreements between major international advertising agencies and local South Korean advertising firms were established. Today, all the major international agencies are present in South Korea.

Total expenditures on advertising in South Korea, which includes broadcasting, print media, out-bound (overseas) outdoor advertising, sales promotion and production, amounted to Won 2,816 billion in 1992, representing an increase of 17.6 percent over 1991. Television advertising expenditures were Won 836 billion, magazines Won 121 billion and newspapers Won 1,141 billion.

A shortage of television air time has contributed to a consistent inability for advertisers to obtain sufficient time to advertise their products. There are two established broadcast networks in South Korea, KBS I and KBS II, which are South Korean government-owned and operated. Two other networks, MBC and SBS, are independent. All four networks' advertising time is sold through the exclusive government selling organization, South Korea Broadcast Advertising Corporation (KOBACO). KOBACO controls broadcasting advertising by designating official broadcasting advertising agencies each year. KOBACO charges a 20 percent commission on all broadcast advertising and rebates 11 percent to the approved agencies.

The print media, newspapers and to a lesser extent magazines, operate a cartel pressure system to ensure that all newspapers get a share of advertisers' budgets irrespective of their efficiency. Lack of circulation data has allowed newspapers to group themselves into major and minor groups: advertisers are expected to utilize all newspapers within a group and not to use one group to the exclusion of others.

In most cases, when a local advertiser selects its advertising agency, the choice of a local firm or multinational is usually pre-determined by the characteristics of the product. Thus, the multinationals often compete among themselves.



In this business, cultural differences are frequently mentioned as a limiting factor for multinationals. Also, the strict censorship system in the local broadcast advertising field is another difficulty in localizing multinational advertising.

The South Korean Broadcasting Commission is the responsible governmental authority. On the other hand, the South Korea Advertising Review Board (KARB) was established in 1991 under the control of the South Korea Advertisers Association as a self-control organization in order to protect advertisers and ad agencies. The KARB, which is organized by advertising associations, societies and industry associations, completed work on advertising review regulations in 1991.

Payment practice in the advertising field is divided into two types: commission basis in the case of TV, radio, newspapers and magazines advertising; and fee basis in the case of advertising production. Commissions generally range between 7 to 15 percent.

Seoul has a world-class trade resource known as the South Korea World Trade Center (KWTC). The KWTC consists of the 55 storey Trade Tower and the South Korea Exhibition Center, popularly known as "KOEX," which contains two large halls and an annex.

The Trade Tower houses the offices of the South Korea Trade Promotion Corporation (KOTRA), a wholly-owned corporation of the South Korean Ministry of Trade, Industry and Energy. KOTRA is the main trade promotion organization of the South Korean government and has 81 offices throughout the world. The South Korean Foreign Traders Association (KFTA), South Korea's largest and most important trade association, is also located in the Trade Tower.

KOEX is a profit-making, wholly-owned subsidiary of KFTA. It contains over 103,076 m<sup>2</sup> of usable space, making it the largest trade show venue in South Korea. The exhibition centre hosts roughly 100 major trade shows a year, one third of which are organized by KOEX. An even larger exhibition hall is being constructed in Pusan and is scheduled for completion in 1997. This new hall will more than double South Korea's trade exhibition capacity.

## Pricing Products

North American goods have a reputation among South Korean buyers for quality and performance; yet South Koreans tend to be very price conscious and often regard a North American label as too expensive. In an export-oriented economy where finished products must be able to meet keen competition in the world market, many local manufacturers believe that it is essential to buy raw materials and equipment from the cheapest source. Goods from Japan and elsewhere are frequently considered to be better buys, even though their quality and durability may be acknowledged not to match that of the Canadian item.

As South Korea continues to move toward higher-end and often manufacturer-branded exports—as well as to combat perceptions of poor quality control of certain South Korean products in recent years—the precedence given to price as a buying factor may be somewhat tempered.

Another characteristic of South Korean price considerations is the tendency to bundle and often under-value the "software" or engineering component, particularly in the procurement of major systems.

Canadian exporters might consider:

- adapting their products to South Korea by marketing basic units;
- taking into account in their price quotations, as their competitors do, the repeat business generated by the demand for spare parts and auxiliary equipment; and
- emphasizing and selling the idea that superior quality of Canadian products ultimately results in lower production costs.

## Sales Service and Customer Support

Sales and after-sales service rank just after selection of the appropriate product or service and in-country representation in determining the success over time for Canadian suppliers to the South Korean market. Just after the Korean War, when foreign exchange was exceedingly scarce, South Korean plant operators learned to rely on their own resources or on the many small machine shops to service machinery. The tradition of



self-reliance and improvisation remains, but, with heavy competition among foreign suppliers in the South Korean market, servicing has become a much more important part of selling.

Japan's proximity to South Korea (not to mention cultural affinities which transcend deep political animosities) allows already stiff competitors from that country to send teams of specialists at little cost to offer skilled advice in installation, maintenance and repair. Canadian firms should consider establishing regional servicing facilities that can effectively service and support equipment sold in South Korea. Short of that, the emphasis given recently on training personnel, often through programs in Canada, has proved beneficial.

Private traders and offer agents often have engineers available to install equipment. For specialized installations, however, the best sources of assistance include government laboratories and resident foreign engineers whose services are available for contract.

### **Selling to the Government**

The Office of Supply, Republic of South Korea (OSROK) supervises procurement by government agencies and most of the state-owned firms in which the government holds a majority share. OSROK covers roughly one-half of the total of South Korean government non-defence procurement, valued at an estimated \$8.25 billion annually—the 8<sup>th</sup> highest in the world.

Government procurement needs are formulated by the ministries and agencies concerned, then screened by the Ministry of Trade and Industry to determine if the needs can be met by local sources. If not, MOF allocates the necessary foreign exchange. To encourage South Korean firms to develop the needed technologies, OSROK has been releasing three-year forecasts of major requirements in April of each year.

Foreign purchases are financed either by government-owned foreign exchange (KFX) or by loan and credit funds from international financial organizations and foreign aid programs. The invitation to bid specifies the source of financing. Worldwide bidding under open, formal procedures is the norm, although occasionally OSROK is obligated to purchase under negotiated contract, as

in the case of spare parts for specialized equipment. Specifications are drawn up by the requesting agency, which frequently consults with the South Korean representatives of foreign suppliers. For Canadian businesses to effectively participate in the South Korean government market, it is very useful to have a local representative.

### **Need for Local Legal Assistance**

Most experts advise engaging a local attorney before making major business decisions in dealing with South Korean companies. The legal advice that South Korean firms with international experience can provide can be very important. In addition to advice on structuring deals or arranging contracts, South Korean firms are usually well plugged into the power structure and have extensive contacts in the government ministries whose approval often means life or death to the foreign company.

Although it is important to have legal representation when your business in South Korea reaches even a modest level of complexity, it is important to remember two things. First, the South Korean law firm's capabilities will go well beyond strictly legal work and will likely include functions more often performed by consultants or public relations firms in Canada. And, although major South Korean firms have extensive and excellent contacts with the South Korean bureaucracy, for anyone planning long-term business involvement in South Korea, it is often useful to establish direct contacts with the officials who oversee any given industry.

### **Regulatory Issues**

**Tariffs and import taxes:** The average tariff rate on manufactured goods imported into Korea is 8 percent. However, tariffs on agricultural products range from 30 to 100 percent, depending on the item. Korea has a flat 10-percent Value Added Tax on all imports. Also, a special excise tax of 15 to 100 percent is levied on the import of certain luxury items and durable consumer goods. There also exist adjustment tariffs used for balance of payments purposes. Tariffs and taxes are payable in Korean won before goods are permitted to clear customs.

**Customs valuation:** Most duties are assessed on an ad valorem basis. Specific rates apply to a few goods while both ad valorem and specific rates apply on a few others. The dutiable value of imported goods is the normal c.i.f. price at the time of import declaration.

Import duties are not assessed on capital goods and raw materials imported in connection with foreign investment projects. Authorization to import those items and supplies designated in a foreign investment application on a duty-free basis usually accompanies the Ministry of Finance's approval of a foreign investment project.

In addition, certain raw materials used in the production of export goods are often exempt from duty, and certain machinery, materials, and parts used in designated industries may enter South Korea either duty free or at reduced rates.

**Import licenses:** An import license is required for every transaction and before a letter of credit may be opened in favour of a foreign supplier. The license, obtainable from the Korea Exchange Bank or from any one of the other 886 Class A foreign exchange banks and branches, is valid for up to 12 months. Under the system of licensing introduced in July 1967, all commodities may be freely imported (i.e., applications for import licenses will be approved automatically) unless they are included on a negative list, which includes commodities that are either prohibited or restricted. The negative list, known as the Export and Import Notice, is published by the Ministry of Trade, Industry and Energy, and remains effective until revised to meet changing economic conditions.

Applications for licenses for the import of items currently in the restricted category are approved on a case-by-case basis after screening by the government agencies concerned, or by the relevant manufacturers' association.

All applications for import licenses must be accompanied by firm offers issued by a foreign supplier, in most cases through the supplier's qualified local agent. Only firms that are registered as foreign traders are eligible to receive import licenses.

**Standards:** The South Korean Government adopted the ISO 9000 system as its official

standard system as of April 1992 and published related regulations in September 1993. The Industrial Advancement Administration (IAA) is a research, standards-making and regulatory administration under the Ministry of Trade, Industry and Energy, established to promote South Korea's industrial technology and assure product quality. The IAA has authorized five local laboratories to give ISO evaluations. As of the end of May, approximately 507 Korean firms have been certified to fit into ISO standards.

However, despite this progress, there are still concerns about the implementation of the commitments South Korea made when it signed the GATT Agreement on Technical Barriers to Trade (the "Standards Code") in 1980. The need to apply structured developing country standards and procedures deviate substantially from international practices in both substance and implementation. These requirements serve mainly to keep imported products out of the existing market. Standards often only affect imported goods and are not applied in an equal manner to domestic products. In addition, the South Korean government often issues new regulations without using public rule-making procedures. The absence of a comment period and adequate time for industry to adjust is a significant barrier to trade. Finally, implementation periods are allocated in very short periods of time which gives the exporters insufficient time to comply, and this leads to unnecessary interruptions in trade.

## EDC Financial Risk Assessment

*The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services and guarantees.*

*The following information was obtained from the EDC Country Risks and Opportunities book (fall, 1996).*

### Issues

The following issues should be taken into consideration when assessing financial risk in South Korea:

- In view of the political scandal in 1996, which combined with the need for the economy to

readjust from two years of fast growth, the government has had to revise its forecast for GDP growth to 7 percent for 1996, owing to depressed exports and stagnant capital investment.

- After a year of fast growth, inflation is also being watched with some concern. It appears certain that it will exceed the government's 4.5 percent target for 1996. To ensure external competitiveness, inflation has to be contained at less than 5 percent.
- An investment-led surge in domestic demand, together with increases in demand for luxury goods, has boosted imports. Worsening terms of trade for key exports (notably semiconductors) have been leading to a significant increase in the trade deficit.

- Higher transportation costs, travel and interest payments have also contributed to a widening of the current account deficit. But, it is still relatively small (2 to 3 percent of GDP) compared to the size of the economy and it continues to be financed by large capital inflows.
- Foreign reserves were US\$36 billion or three months of imports by mid-1996. External debt is not a problem, given the very low debt service ratio. Short and medium-term economic prospects in South Korea are good.

### Collection Experience

The overall collection experience is good. ILC are the usual trading terms but other terms also used. Caution is still recommended regarding credit and financial issues.



# CONTACTS

---

## Canada Mortgage and Housing Corporation

Housing Export Centre

700 Montreal Road  
Ottawa, Ontario K1A 0P7

Tel.: 1-800-465-6212 or  
(613) 748-2000  
Fax: (613) 748-2302

## Canadian Government Departments and Services

Department of Foreign Affairs and  
International Trade (DFAIT)

InfoCentre  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2

Tel.: 1-800-267-8376 or  
(613) 944-4000  
Fax: (613) 996-9709  
FaxLink: (613) 944-4500  
InfoCentre Bulletin Board:  
Tel.: 1-800-628-1581 or  
(613) 944-1581

Asia, Pacific and Africa Branch  
Korea and Oceania Division (PKE)  
Korea Desk  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2

Tel.: (613) 943-0897  
Fax: (613) 996-1248

Canadian Embassy in South Korea

10th Floor, Kolon Building  
45 Mugyo-Dong, Jung-Ku  
Seoul 100-170, Republic of Korea

Tel.: 82-2-753-2605  
Fax: 82-2-756-0686

Mailing Address:  
C.P.O. Box 6299  
Seoul, South Korea, 100-170

## International Trade Centres

Newfoundland

International Trade Centre  
P.O. Box 8950  
Atlantic Place  
215 Water Street  
Suite 504  
St. John's, NF A1B 3R9

Tel.: (709) 772-5511  
Fax: (709) 772-5093

Prince Edward Island

International Trade Centre  
P.O. Box 1115  
Confederation Court Mall  
134 Kent Street  
Suite 400  
Charlottetown, PE C1A 7M8

Tel.: (902) 566-7443  
Fax: (902) 566-7450

Nova Scotia

International Trade Centre  
P.O. Box 940, Station M  
1801 Hollis Street  
Halifax, NS B3J 2V9

Tel.: (902) 426-7540  
Fax: (902) 426-5218

New Brunswick

International Trade Centre  
1045 Main Street  
Unit 103  
Moncton, NB E1C 1H1

Tel.: (506) 851-6452  
Fax: (506) 851-6429

Quebec

International Trade Centre  
5 Place Ville-Marie  
Seventh Floor  
Montreal, PQ H3B 2G2

Tel.: (514) 283-6328  
Fax: (514) 283-8794

Ontario

International Trade Centre  
Dominion Public Building  
1 Front St. West  
Fourth Floor  
Toronto, ON M5J 1A4

Tel.: (416) 973-5053  
Fax: (416) 973-8161

## International Trade Centres (cont'd)

Manitoba	International Trade Centre P.O. Box 981 330 Portage Avenue 8th Floor Winnipeg, MB R3G 2V2	Tel.: (204) 983-5851 Fax: (204) 983-3182
Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4 <sup>th</sup> Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta <i>* Edmonton office is also responsible for Northwest Territories</i>	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia <i>*Vancouver office is also responsible for the Yukon</i>	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

## Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg <i>*office also serves Saskatchewan</i>	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

## South Korean Government Offices in Canada

Embassy of Korea	151 Slater Street 5th Floor Ottawa, ON K1P 5H3	Tel.: (613) 244-5010 Fax: (613) 244-5034
------------------	--	---

## South Korean Government Offices in Canada (cont'd)

Consulate General	1000 Sherbrooke St. W. Suite 1710 Montreal, PQ H3A 3G4	Tel.: (514) 845-3243 Fax: (514) 845-8517
Consulate General	439 University Avenue Suite 700 Toronto, ON .5G 1Y8	Tel.: (416) 598-4608 Fax: (416) 598-3627
Consulate General	1066 West Hastings St. Suite 830 Vancouver, BC V6E 3X1	Tel.: (604) 681-9581 Fax: (604) 681-4864
Korea Trade Promotion Co.	Suite 600, Thomson Bldg. 65 Queen St. West Toronto, ON M5H 2M5	Tel.: (416) 368-3399 Fax: (416) 368-2893
Korea Trade Promotion Co.	One Bentall Centre 505 Burrard St. Vancouver, BC V7X 1M6	Tel.: (604) 683-1820 Fax: (604) 687-6249
Korea Trade Promotion Co.	159, Samsung-Dong, Kangnam-gu Seoul, South Korea Trade Center P.O. Box 123. ATTN: Canadian Desk Officer	Tel.: 82-2-551-4181 Fax: 82-2-551-4477

## Major Korean Banks in Canada

Korea Exchange Bank of Canada	Head Office Edison Centre, Suite 600 Sussex Centre, West Tower 2345 Yonge Street Toronto, ON M4P 2E5	Tel.: (416) 932-1234 Fax: (416) 932-1235
	Mississauga Branch 90 Burnhamthorpe Road W., Suite 120 Mississauga, ON L5B 3C3	Tel.: (416) 272-2130 Fax: (416) 272-3430
	Toronto Bloor Branch 627 Bloor Street West Toronto, ON M6G 1K8	Tel.: (416) 533-8593 Fax: (416) 531-1047
	Toronto, North York Branch 74 Sheppard Ave. West North York, ON M2N 1M2	Tel.: (416) 250-6383 Fax: (416) 250-6390
	Montreal Branch 5719 Monkland Ave. Montreal, PQ H4A 1E7	Tel.: (514) 483-6655 Fax: (514) 483-2627
	Vancouver Branch One Bentall Centre, Suite 430 505 Burrard Street Vancouver, BC V7X 1M4	Tel.: (604) 684-6391 Fax: (604) 684-0105
Cho Hung Bank of Korea	2 Sheppard Avenue East Suite 1100 North York, ON M2N 5Y7	Tel.: (416) 590-9500 Fax: (416) 590-9550
Hanil Bank	Head Office 60 Bloor Street West Suite 1103 Toronto, ON M4W 3B8	Tel.: (416) 975-0456 Fax: (416) 975-9100
	Vancouver Branch Suite 2604, Bentall Centre 1055 Dunsmuir Street Vancouver, BC V7X 1L3	
Korea Development Bank (representative office)	Cho Hung Bank 1 First Canadian Place Suite 3450 Toronto, ON M5H 2M5	Tel.: (416) 365-7001 Fax: (416) 365-7031



## Major Korean Banks in Canada (cont'd)

Korea Exchange Bank of Canada	Edison Centre, Suite 600 2345 Yonge Street Toronto, ON M4P 2E5	Tel.: (416) 932-1234 Fax: (416) 932-1235
-------------------------------	--	---

## Canadian Banks in South Korea

Bank of Montreal	C.P.O. Box 8485 14 <sup>th</sup> Floor, Suhrin Building 88 Suhrin-dong, Chongro-gu Seoul, South Korea	Tel.: 82-2-732-9206 Fax: 82-2-732-9200
The Bank of Nova Scotia	C.P.O. Box 7783 9 <sup>th</sup> Floor, Korea Chamber of Commerce and Industry Building #45, 4-ka, Namdaemoon-ro, Chung-ku Seoul, South Korea	Tel.: 82-2-757-7171 Fax: 82-2-752-7189
National Bank of Canada	C.P.O. Box 584 6 <sup>th</sup> Floor, Leema Building 146-1 Soosong-dong, Chongro-gu Seoul, South Korea	Tel.: 82-2-733-5012 Fax: 82-2-736-1508
The Royal Bank of Canada	C.P.O. Box 5374 #1, 1-ka, Chung-ro, Chung-gu Seoul, South Korea 110-121	Tel.: 82-2-730-7791 Fax: 82-2-736-2995

## Association of Foreign Trading Agents of South Korea

Korean Commercial Arbitration Board	Dong Jin B.D., 218 Hangkang-ro, 2-ga Yongsan-ku, Seoul 140-012 Street Address: 43 <sup>rd</sup> Floor, Trade Tower 4373 (Korea World Trade Center) 159, Samsung-Dong, Kangnam-gu, Seoul 135-729, South Korea  Mailing Address: Trade Center, P.O. Box 50 Seoul 135-650, South Korea	Tel.: 82-2-551-2000 Fax: 82-2-551-2020
-------------------------------------	---	---

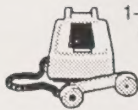
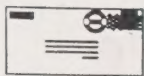
## Multilateral Organizations

World Bank	Washington, DC 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

## Business and Professional Organizations in Canada

Asia Pacific Foundation	666-999 Canada Place Vancouver, BC V6C 3E1	Tel.: (604) 684-5986 Fax: (604) 681-1370
Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218

## HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM



1-800-668-2642  
Outside Canada call  
1-613-748-2003



FAX TO  
1-800-245-9274  
Outside Canada  
1-613-748-2016

**CMHC**  
P.O. Box 35005  
Stn BRM B  
Toronto, ON  
M7Y 6E5

Charge to VISA, American Express or MasterCard.

To avoid double billing, please do not send confirmation.

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

Please Print

Name		
Company or Organization	Position Title	
Address		
City	Province/State/Country	Postal/Zip Code
Telephone Number (     )	Fax Number (     )	

### METHOD OF PAYMENT

<input type="checkbox"/>	Please charge my
VISA <input type="checkbox"/>	American Express <input type="checkbox"/> MasterCard <input type="checkbox"/>
Card Number	
Expiry Date	
Signature	
<input type="checkbox"/>	Payment enclosed \$ _____
Please make cheque or money order payable to CMHC	

To Complete See Example on Reverse Side		1	2	3	4	5
ORDER NUMBER	REPORT TITLE	QTY	ITEM AMOUNT \$	TOTAL \$ AMOUNT 1 x 2	SHIPPING POINTS	TOTAL SHIPPING POINTS 1 x 4
	Please be sure the order number and report title match the listing				3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	

TAX TABLE				Subtotal Column 3		A	Subtotal Column 5																												
<p>7% GST applicable to all items. PST/HST/GST applicable to shipping. for PEI and Québec, PST is calculated on shipping plus GST.</p> <p>U.S. and International orders, please pay subtotal C in U.S. funds.</p> <table border="1" style="width:100%"> <tr> <th>Province</th> <th>GST</th> <th>PST</th> <th>HST</th> </tr> <tr> <td>Alberta</td> <td>7% of C</td> <td align="center">—</td> <td align="center">—</td> </tr> <tr> <td>B.C., Manitoba, &amp; Sask.</td> <td>7% of C</td> <td>7% of B</td> <td align="center">—</td> </tr> <tr> <td>Ontario</td> <td>7% of C</td> <td>8% of B</td> <td align="center">—</td> </tr> <tr> <td>N.B., N.S., NF</td> <td>7% of A</td> <td align="center">—</td> <td>15% of B</td> </tr> <tr> <td>Québec</td> <td>7% of C</td> <td>6.5% of B + GST</td> <td align="center">—</td> </tr> <tr> <td>P.E.I.</td> <td>7% of C</td> <td>10% of B + GST</td> <td align="center">—</td> </tr> </table> <p>GST Registration # 100756428</p>				Province	GST	PST	HST	Alberta	7% of C	—	—	B.C., Manitoba, & Sask.	7% of C	7% of B	—	Ontario	7% of C	8% of B	—	N.B., N.S., NF	7% of A	—	15% of B	Québec	7% of C	6.5% of B + GST	—	P.E.I.	7% of C	10% of B + GST	—	ADD Shipping & Handling Regular Mail <input type="checkbox"/> Courier <input type="checkbox"/>		B	<p>Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.</p> <p>SEE EXAMPLE ON REVERSE</p>
				Province	GST	PST	HST																												
				Alberta	7% of C	—	—																												
				B.C., Manitoba, & Sask.	7% of C	7% of B	—																												
Ontario	7% of C	8% of B	—																																
N.B., N.S., NF	7% of A	—	15% of B																																
Québec	7% of C	6.5% of B + GST	—																																
P.E.I.	7% of C	10% of B + GST	—																																
Subtotal (Add A + B)		C																																	
Appropriate Taxes (refer to table at left)		D																																	
Total (Add C + D)		E																																	



## Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

### CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resalable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

### Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE <small>Please be sure the order number and report title match the listing</small>	<div>1</div> QTY	<div>2</div> ITEM AMOUNT \$	<div>3</div> TOTAL AMOUNT <div>1 x 2</div>	<div>4</div> SHIPPING POINTS	<div>5</div> TOTAL SHIPPING POINTS <div>1 x 4</div>
NHA 8003	Brazil	1	35.-	35.-	3	3
NHA 8033	South Korea	2	35.-	70.-	3	6
					3	
					3	

#### TAX TABLE

7% GST applicable to all items. PST/HST/GST applicable to shipping. for PEI and Québec, PST is calculated on shipping plus GST.

U.S. and International orders, please pay subtotal C in U.S. funds.

Province	GST	PST	HST
Alberta	7% of C	-	-
B.C., Manitoba, & Sask.	7% of C	7% of B	-
Ontario	7% of C	8% of B	-
N.B., N.S., NF	7% of A	-	15% of B
Québec	7% of C	6.5% of B + GST	-
P.E.I.	7% of C	10% of B + GST	-

GST Registration # 100756428

Subtotal Column 3

A  
105.-

Subtotal  
Column 5

9

ADD Shipping & Handling

Regular Mail ☒ Courier ☐

B  
6.18

Subtotal  
(Add A + B)

C  
111.18

Appropriate Taxes  
(refer to table at left)

D  
7.78

Total  
(Add C + D)

E  
118.96

Refer to Shipping  
and Handling Charges  
on the back of this  
form for the shipping  
and handling amount.







CMHC's Housing Export Opportunities series contains up-to-date, relevant information on foreign housing markets for the Canadian Housing industry. Our country reports provide you with the market research and analysis you need to make the right business decisions about today's most dynamic offshore housing markets.

The country reports provide in-depth analysis of local housing needs and conditions, trade policy and business customs for each country. Also included is advice on risk assessment, cultural issues, establishing an office and distribution and sales channels. Each report has a comprehensive list of contacts, both in Canada and abroad for financial and industry information. Among our most sought after country reports are:

- China
- Chile
- South Korea
- Germany
- France
- Spain

Get CMHC's Housing Export Opportunities series and get ready to export. Prepare for a more profitable future. Order your country reports today by calling **1-800-668-2642**.

